



## OFFICE OF PUBLIC INSTRUCTION

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Linda McCulloch  
Superintendent

February 25, 2002

TO: District Clerk/Business Managers  
District Superintendents  
County Superintendents

FROM: Joan Anderson, Division Administrator  
School Budgets and Accounting



RE: **School Flexibility Fund (MCA 20-9-541 through 544)**

This memo contains general information about the School Flexibility Fund (aka the "Flex Fund"). Please share this information with all interested board members and school district staff.

### **What is the Flexibility Fund (29)?**

- New fund starting FY 2002-03.
- OPI has assigned Fund 29.
- Budgeted fund.

### **How do I open a Flexibility Fund?**

The trustees should resolve to open a new fund. Send the resolution or other written notice to the County Treasurer, who will open the fund at the county level. The fund will appear on your FY 2002-03 budget form from OPI.

### **What can the Flexibility Fund be spent for?**

Allowable expenditures are listed in MCA 20-9-543.

### **The Flexibility Fund is a budgeted fund--What does that mean?**

Every district **MUST** adopt a Flexibility Fund budget in order to spend from the fund during FY 2002-03. The trustees should adopt the Flexibility Fund budget at the regular budget meeting on or by August 15, 2002.

### **What are the funding sources for the Flexibility Fund?**

- State Flexibility Payment
- Voted levy (optional)
- Non-levy revenues: For the first year, interest will probably be the only non-levy source. In future years, any non-levy revenues that are distributed based on prior year mills will be deposited in the Flexibility Fund relative to the number of mills levied in that fund.

### **Does the district have to apply for the State Flexibility Payments?**

No. Each operating district will receive a payment no later than January.

*"It is our mission to advocate, communicate, educate and be accountable to those we serve."*

**How does the state calculate the State Flexibility Payment for each district?**

The appropriation is distributed as follows:

- 40% based on the state's five-year average ANB;
- 20% based on the previous year's statewide ANB;
- 15% based on the number of schools in the state; and
- 25% based on the number of schools having more than 250 students.

**How can the district get an estimate of the Flexibility Payment?**

OPI posted estimates of each district's payment on the OPI website in January 2002 in the <School Finance> area. An estimate of the district's payment will also be included on the district's Preliminary Budget Data Sheet mailed March 1.

**How much can the district levy in the Flexibility Fund?**

Districts can ask for voter approval of a levy up to 25% of the estimated State Flexibility Payment. Since the actual amount of a district's flexibility payment cannot be finally determined until the October 1 enrollment is collected, the limit must be calculated based on the estimated payment.

**What if the voters approved a levy based on an estimated state payment that differs from the actual payment?**

The approved mills must be levied before the final state payment amount is known. The district should keep records showing how they calculated the amount of levy they asked voters to approve, including documentation of the OPI estimate. The dollar amount of the levy must not exceed the amount voters approved.

**Does the Flexibility Fund election have to be held along with the general fund election in May?**

No. The Flexibility Fund election is a special election that can be held at any time, as long as the proper election procedures are followed. OPI recommends you hold a special election no later than August 1 in order to allow enough time for completing the process before the budget is adopted.

**How often is voter approval required for the Flexibility Fund levy?**

The Flexibility Fund election is an annual election. Voter approval covers one year's levy, so voter approval will be required to levy each year.

**If the Flexibility Fund election fails, can the district run another election?**

Yes. The Flexibility Fund election is a special election, and there is no restriction against running it more than one time. Plan carefully to ensure election timelines can be met if a second election is necessary.

**What should the ballot contain for the Flexibility Fund election?**

Ballot language must comply with MCA 15-10-425 (HB 179). Various ballot language would meet the requirements; however, an optional ballot is included in the 2002 School Election Handbook, posted on the OPI website under <School Finance> if you choose to use it.

**When will the State Flexibility Payments be made?**

OPI will make payments by January 31.

**What should the trustees include in the Flexibility Fund budget?**

Trustees should budget the amount of revenues to be collected in the budget

- Estimated State Flexibility Payment
- Levy amount approved by voters (up to 25% of the estimated state payment)
- Estimated interest and any other non-levy revenues

As with any budgeted fund, the district must carefully monitor the budget during the year to accommodate differences between budgeted and actual receipts.

**What can the district do if the Flexibility Fund budget is set too low to spend the money in the Flexibility Fund?**

For emergencies, the district can adopt a budget amendment to spend additional Flexibility Fund money. The budget may not be amended unless there is an emergency, so take care to adopt a large enough budget.

Additional Questions? Contact:

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